

**Economic Development Corporation
of the County of Genesee
(a component unit of Genesee County)**

**Financial Report
with Supplemental Information**

December 31, 2007

Economic Development Corporation of Genesee County

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Economic Development Corporation of Genesee County

Board of Directors

Pamela Hawkins	Chairwoman
David Cowden	Vice-Chair
Patricia Lockwood	Treasurer
James Franklin III	Secretary
Penny Drolet	
Jeffrey Kelley	
Kim Yarber	
Benjamin Ranger	
Raynetta Speed	



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Independent Auditors' Report

Board of Directors
Economic Development Corporation
of the County of Genesee
Flint, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund information of the Economic Development Corporation (EDC) of the County of Genesee, a component unit of Genesee County, as of and for the year ended December 31, 2007, which collectively comprise the EDC's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the component unit financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the component unit financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall component unit financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the EDC, as of December 31, 2007, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis and the Budgetary Comparison Schedules, as identified in the Table of Contents, are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Plante & Moran, PLLC

August 27, 2008

Management's Discussion and Analysis

Economic Development Corporation of Genesee County

Management's Discussion and Analysis

Our discussion and analysis of the Genesee County Economic Development Corporation, Michigan's financial performance provides an overview of the Economic Development Corporations' financial activities for the fiscal year ended December 31, 2007. Please read it in conjunction with the Economic Development Corporation's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended December 31, 2007.

- Total fund balance for the general operating fund and the revolving loan funds increased \$11,711 during 2007.

Revenues of the Economic Development Corporation's loan repayments totaled \$104,822 with loan interest of \$10,056, and other interest income of \$33,876, and miscellaneous income of \$4,442.

Total expenditures amounted to \$52,870 of which \$22,792 represents management fees. The remaining loan for Emergency Rescue Services in the amount of \$19,032 was written off in 2007. New loans in the amount of \$87,814 were made during the year. An allowance of uncollectible accounts amounted to \$394,470 for loans that were defaulted as of December 31, 2007.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Economic Development Corporation as a whole and present a longer-term view of the Corporation's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year.

The fund financial statements present a short-term view; they tell us how much is available for future spending. Fund financial statements also report the Corporation's operations in more detail than the government-wide financial statements by providing information about the Corporation's most significant funds.

Economic Development Corporation of Genesee County

Management's Discussion and Analysis (Continued)

The Corporation as a Whole

The following table shows, in a condensed format, the net assets as of the current date and compared to the prior year:

	<u>Governmental Activities</u>	
	<u>2007</u>	<u>2006</u>
Current assets	\$425,627	\$430,024
Noncurrent assets	672,051	682,958
Total assets	1,097,678	1,112,982
Current liabilities	44,585	21,577
Net assets:		
Restricted	964,293	976,071
Unrestricted	88,800	115,334
Total net assets	<u>\$1,053,093</u>	<u>\$1,091,405</u>

The Corporation's governmental activities net assets decreased by 3.5 percent from a year ago-decreasing from \$1,091,405 to \$1,053,093.

The following table shows the changes of the net assets during the current year and as compared to the prior year:

	<u>Governmental Activities</u>	
	<u>2007</u>	<u>2006</u>
Revenue		
General revenue:		
Investment earnings	\$ 43,932	\$ 45,424
Program revenue	4,442	29,518
Total revenue	48,374	74,942
Program Expenses		
Economic development	86,686	36,337
Total program expenses	86,686	36,337
Change in Net Assets	<u>\$(38,312)</u>	<u>\$38,605</u>

Governmental Activities

The Corporation's total governmental revenues decreased by approximately \$26,568. The decrease, which represents 35.5 percent, was primarily due to the Contribution from Genesee County in 2006 not received again in 2007.

Economic Development Corporation of Genesee County

Management's Discussion and Analysis (Continued)

Expenses increased by \$50,349 during the year. Increases were primarily due to the recording of bad debt expense for an estimate of the loans that may be uncollectible and written off in the current year.

The Corporation's Funds

Our analysis of the Corporation's major funds begins on page 5. The fund financial statements provide detail information about the most significant funds, not the Corporation as a whole. The Corporation's major funds for 2007 include the General Fund and Revolving Loan Special Revenue Funds.

The General Fund pays for the Corporation's governmental services.

General Fund Budgetary Highlights

General Fund expenditures were over budget by \$8,490 in total. The individual line items that were over budget were office supplies and expense, postage and recording fees, legal fees, travel and miscellaneous. The budget was not amended during the year.

Contacting the Corporation's Management

This financial report is intended to provide our citizens, customers, and investors with a general overview of the Corporation's finances and to show the Corporation's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the Corporation's office.

Basic Financial Statements

Government-wide Financial Statements

Economic Development Corporation of Genesee County

Statement of Net Assets December 31, 2007

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 425,627
Cash on hand at City of Flint	490,989
Economic development loans receivable - Net	<u>181,062</u>
Total assets	<u>1,097,678</u>
 Liabilities	
Accounts payable	<u>44,585</u>
 Net Assets	
Restricted for revolving loan program	964,293
Unrestricted- designated for economic development activities	<u>88,800</u>
Total net assets	<u><u>\$ 1,053,093</u></u>

The Notes to Financial Statements are an Integral Part of this Statement.

Statement of Activities

Year Ended December 31, 2007

<u>Functions\Programs</u>	Expenses	Program Revenues	Operating Grants and Contributions	Net (Expense) Revenue
Governmental activities:				
Economic development:				
Operations	\$ 52,870	\$ -		\$ (52,870)
Loan - Bad debt expense	33,015	-		(33,015)
Loan service charges	801	-		(801)
Total governmental activities	86,686	-		(86,686)
General revenues:				
Miscellaneous income				4,442
Interest				43,932
Total general revenues				48,374
Change in Net Assets				(38,312)
Net Assets - Beginning of year				1,091,405
Net Assets - End of year				\$ 1,053,093

The Notes to Financial Statements are an Integral Part of this Statement.

Fund Financial Statements

Economic Development Corporation of Genesee County

Governmental Funds Balance Sheet December 31, 2007

	General	Special Revenue City/County RLF	Special Revenue State RLF	Total
Assets				
Cash and cash equivalents	\$ 124,167	\$ -	\$ 301,460	\$ 425,627
Cash on hand at City of Flint	-	490,989	-	490,989
Receivables:				
Loans	-	62,112	118,950	181,062
Due from other funds	9,218	-	-	9,218
Total assets	<u>\$ 133,385</u>	<u>\$ 553,101</u>	<u>\$ 420,410</u>	1,106,896
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 44,585	\$ -	\$ -	\$ 44,585
Deferred revenue	-	62,112	118,950	181,062
Due to other funds	-	7,410	1,808	9,218
Total liabilities	44,585	69,522	120,758	234,865
Fund Balances				
Unreserved - Designated for future loans	83,227	483,579	299,652	866,458
Unreserved - Designated for administrative costs	5,573	-	-	5,573
Total fund balances	88,800	483,579	299,652	872,031
Total liabilities and fund balances	<u>\$ 133,385</u>	<u>\$ 553,101</u>	<u>\$ 420,410</u>	

Amounts reported for governmental activities in the statement of net assets are different because:

Long-term receivables are not available to pay for current expenditures, and therefore, are deferred in the funds

181,062

Net assets of governmental activities

\$ 1,053,093

The Notes to Financial Statements are an Integral Part of this Statement.

Economic Development Corporation of Genesee County

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended December 31, 2007

	General	Special Revenue City/County RLF	Special Revenue State RLF	Totals
Revenues				
Charges for services	\$ 16,014	\$ -	\$ -	\$ 16,014
Interest - Investment	5,880	12,401	15,595	33,876
Loan repayments - Principal	6,718	71,691	26,413	104,822
Interest - EDC RLF loans	-	5,544	4,512	10,056
Miscellaneous income	4,442	-	-	4,442
Total revenue	33,054	89,636	46,520	169,210
Expenditures/Expenses				
Current - Economic development				
Per diem fees - Board	2,240	-	-	2,240
Postage and recording fees	43	-	-	43
Management fee - Base	22,792	-	-	22,792
Travel	9	-	-	9
Legal fees	14,234	-	-	14,234
Audit fees	5,980	-	-	5,980
Meeting expense	923	-	-	923
Insurance	2,161	-	-	2,161
Supplies	185	-	-	185
Miscellaneous	103	-	-	103
Rent	4,200	-	-	4,200
Total operations	52,870	-	-	52,870
Economic development loans:				
Payment service charge	-	424	377	801
New loan disbursements	-	-	87,814	87,814
Administrative fees	-	7,571	8,443	16,014
Total expenditures	52,870	7,995	96,634	157,499
Net change in fund balances	(19,816)	81,641	(50,114)	11,711
Fund Balances - Beginning of year	108,616	401,938	349,766	860,320
Fund Balances - End of year	\$ 88,800	\$ 483,579	\$ 299,652	\$ 872,031

The Notes to Financial Statements are an Integral Part of this Statement.

Economic Development Corporation of Genesee County

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds To the Statement of Activities Year Ended December 31, 2007

Net Change in Fund Balances - Total Governmental Funds	\$ 11,711
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Amounts reported for governmental activities in the statement of activities are different because:

New loans	87,814
Bad debts	(33,015)

Payments received on loans receivable in the governmental funds are recognized on a cash basis as the governmental funds do not record long-term receivables. These receivables are recorded on the statement of net assets, so principal payments received in 2007 are not recorded as revenues in the statement of activities.

(104,822)

Change in Net Assets of Governmental Activities	<u><u>\$ (38,312)</u></u>
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Notes to Financial Statements

Economic Development Corporation of Genesee County

Notes to Financial Statements December 31, 2007

Note I - Summary of Significant Accounting Policies

The accounting policies of the Economic Development Corporation for the County of Genesee conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Corporation.

A. Reporting Entity

The Economic Development Corporation For the County of Genesee (EDC) was incorporated May 4, 1977, under the provision of Act 338 of the Public Acts of 1974, as amended, for the following purposes: to alleviate and prevent conditions of unemployment, to assist and retain local industries and commercial enterprises, to strengthen and revitalize the economy of the county of Genesee, to provide the means and methods for encouragement and assistance of industrial and commercial enterprises, including small business concerns, in locating, purchasing, constructing, reconstructing, modernizing, improving, maintaining, and expanding in the county of Genesee, to encourage the relocation and expansion of commercial enterprises to more conveniently provide needed services and facilities of the commercial enterprises in the county of Genesee and residents thereof. One means of accomplishing these purposes is through the use of lease contracts with commercial and industrial enterprises (see Note III.C). According to the terms of the lease contracts, the EDC agrees to issue revenue bonds, the proceeds from which will be used to finance a project benefiting the commercial or industrial enterprise, and the enterprise agrees to make lease payments equal to the bond principal and interest payments. The revenue bonds are payable solely from the net revenues derived from the project, and the bonds are collateralized by a mortgage on the project and the lease contract.

Since each bond issued by the Corporation is payable solely from the net revenues derived from the related project through lease payments, and since the bonds are not a general obligation of the Corporation, the bonds and related lease contracts have not been reflected in the financial statements of the Corporation.

Scope of Reporting Entity

In accordance with the provisions of Governmental Accounting Standards Board Statement #14, "The Financial Reporting Entity," the financial statements of the Economic Development Corporation of the County of Genesee contain all the Corporation funds and activities for which the Corporation's Board Members are financially accountable. The Corporation's financial statements are included in the County of Genesee's (County) Comprehensive Annual Financial Report, for the year ended September 30, 2007, as a discretely presented component unit.

Economic Development Corporation of Genesee County

Notes to Financial Statements

December 31, 2007

Note I - Summary of Significant Accounting Policies (Continued)

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Economic Development Corporation of Genesee County

Notes to Financial Statements December 31, 2007

Note I - Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The EDC reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

City/County Revolving Loan Fund and State Revolving Loan Fund – These special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The City/County fund currently accounts for City/County revolving loan grant funds held to provide loans to small businesses, while the other accounts for similar activity that originated from a State grant.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and investments

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Investments are stated at fair value. However, the EDC did not hold any investments during 2007.

2. Cash held with City of Flint

The City of Flint is the acting fiscal agent for the EDC for one revolving loan fund. The City of Flint holds cash on behalf of the City County Revolving Loan Fund.

Economic Development Corporation of Genesee County

Notes to Financial Statements

December 31, 2007

Note I - Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

3. Receivables and payables

In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds". All business loan receivables are shown net of an allowance for uncollectible amounts.

4. Capital assets

Capital assets, which include property, plant, and equipment, are reported when applicable in the governmental activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an estimated useful life in excess of a year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The EDC had no such capital assets at December 31, 2007.

Equipment of the EDC is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Equipment	5

At December 31, 2007, capital assets consist solely of computer equipment with a historical cost of \$1,858. The assets were fully depreciated. There were no capital asset acquisitions or dispositions during the year.

5. Deferred revenue

Deferred revenue represents noncurrent portions of long-term loan receivables due from businesses.

6. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Economic Development Corporation of Genesee County

Notes to Financial Statements

December 31, 2007

Note 1 - Summary of Significant Accounting Policies (Continued)

E. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates; however, management believes any such difference would not be material to the financial statements taken as a whole.

Note 2 - Budgetary Data

The Corporation adopts an operating budget for the General Fund and Special Revenue Funds on a line-item basis prior to the beginning of the fiscal year. The budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America.

There were no encumbrances at December 31, 2007.

The budget is presented as originally adopted. There were no amendments to the budget during the year.

The following individual funds incurred expenditures in excess of appropriations:

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Over Budget</u>
General:			
Office supplies and expense	\$ -	\$ 185	\$ 185
Postage and recording fees	-	43	43
Management fee – base	22,000	22,792	792
Legal fees	3,500	14,234	10,734
Travel	-	9	9
Miscellaneous	-	103	103
RLF - City/County:			
Administrative fees	2,875	7,571	4,696

Economic Development Corporation of Genesee County

Notes to Financial Statements December 31, 2007

Note 3 - Detail Notes on All Funds

A. Deposits and Investments

Michigan Compiled Laws section 129.91 (Public Act 20 of 1943, as amended), authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivision, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Corporation has designated one bank for the deposit of its funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of State statutory authority as listed above. The Corporation's deposits and investment policies are in accordance with statutory authority. The EDC held no investments at December 31, 2007.

The Corporation's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial credit risk of bank deposits:

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. At year end, the Corporation had \$25,007 of bank deposits (checking accounts) that were insured. The Corporation evaluates each financial institution it deposits funds with and assesses the level of risk of each institution. Only those institutions with an acceptable estimated risk level are used as depositories.

The corporation has \$490,989 held at the City of Flint.

Credit risk:

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The EDC has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Government Money Market Fund	\$416,032	Aaa	Moody's

Economic Development Corporation of Genesee County

Notes to Financial Statements

December 31, 2007

Note 3 - Detail Notes on All Funds (Continued)

B. Receivables

Loans receivable - Revolving Loan Funds:

The following is a summary of outstanding Revolving Loan Fund - State loans at December 31, 2007:

Loan Issuance Date	Original Loan	Payments Received Prior Periods	Principal Payments Received Current Year	Allowance for Uncollectible Accounts/ Write Offs	Balance at 12/31/07	Terms
08-96	\$ 60,000	\$ 34,638	\$ 4,435	\$ -	\$ 20,927	7.0% - 15 years
02-01	120,000	91,172	18,619	-	10,209	6.0% - 10 years
01-02	153,000	22,412	-	130,588	-	7.0% - 20 years
10-02	32,000	18,118	-	13,882	-	7.0% - 5 years
03-03	47,000	24,609	3,359	19,032	-	7.0% - 5 years
05-04	50,000	-	-	50,000	-	7.0% - 11 years
06-07	75,000	-	-	-	75,000	5% - 5 years
10-07	12,814	-	-	-	12,814	7% - 5 years
	<u>\$549,814</u>	<u>\$190,949</u>	<u>\$ 26,413</u>	<u>\$213,502</u>	<u>\$118,950</u>	

The following is a summary of outstanding Revolving Loan Fund - City/County loans at December 31, 2007:

Loan Issuance Date	Original Loan	Payments Received Prior Periods	Principal Payments Received Current Year	Allowance for Uncollectible Accounts	Balance at 12/31/07	Terms
12-96	\$ 20,000	\$ 9,350	\$ 1,450	\$ -	\$ 9,200	7.0% - 5 years
04-99	128,000	72,230	55,770	-	-	7.0% - 10 years
03-02	70,000	64,527	5,473	-	-	7.0% - 5 years
11-02	93,000	31,090	8,998	-	52,912	7.0% - 10 years
01-04	200,000	-	-	200,000	-	7.0% - 11 years
	<u>\$511,000</u>	<u>\$177,197</u>	<u>\$ 71,691</u>	<u>\$200,000</u>	<u>\$62,112</u>	

The following is a summary of outstanding Revolving Loan Fund - EDC loans at December 31, 2007:

Loan Issuance Date	Original Loan	Payments Received Prior Periods	Principal Payments Received Current Year	Balance at 12/31/07	Terms
01-97	\$ 70,000	\$ 63,282	\$ 6,718	\$ -	7.0% - 10 years

Economic Development Corporation of Genesee County

Notes to Financial Statements

December 31, 2007

Note 3 - Detail Notes on All Funds (Continued)

B. Receivables (Continued)

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Long-term notes receivables	<u>\$181,062</u>	<u>\$ -0-</u>	<u>\$181,062</u>

C. Revenue Bonds

As of December 31, 2007, the Corporation had issued eighty-eight bonding projects, as described in Note 1. Following are details of each bond issue:

<u>Project Name</u>	<u>Amount of Issue</u>	<u>Date of Issue</u>
AFC Investment Company	\$ 1,000,000	December 1, 1984
Adams Dental Clinic	229,000	October 1, 1985
April Twenty-Third Co., Ltd., The	175,000	July 1, 1981
Atlas Technologies, Inc.	4,500,000	December 1, 1999
Automated Manufacturing Systems, Inc.	981,363	December 1, 1985
Bonbrisco Medical Clinic	271,000	May 30, 1980
Bristol North	575,000	November 22, 1985
Bristol Place II Office Building	1,450,000	February 1, 1982
Bristol Plaza	650,000	October 1, 1981
Burton Industries, Inc.	380,000	July 1, 1986
Carpenter Industrial Building	1,700,000	October 16, 1985
Carriage Plaza	300,000	December 23, 1985
Carroll Dental	340,000	October 1, 1985
Carter Lumber Company	700,000	June 1, 1981
Central Grocery Company	3,500,000	September 1, 1982
Chenoweth Office Building	300,000	December 13, 1985
Chi-Chi's, Inc.	1,375,000	May 1, 1982
Clio Development Ltd.	3,550,000	July 1, 1979
Clio Development Ltd.	1,502,500	November 1, 1980
Collins Auto Electric, Inc.	400,000	April 24, 1986
Comcast Cablevision Corporation	5,000,000	March 26, 1981
Cook Drug Company	1,200,000	December 30, 1983
Copperco Investment	170,000	July 1, 1980
Court Metal Finishing, Inc.	400,000	June 10, 1980
Creative Foam Corporation	2,070,000	November 1, 1983
Creative Foam Corporation	3,000,000	July 1999
Crestmont Medical Care Facility	900,000	December 6, 1983

Economic Development Corporation of Genesee County

Notes to Financial Statements December 31, 2007

Note 3 - Detail Notes on All Funds (Continued)

C. Revenue Bonds (Continued)

<u>Project Name</u>	<u>Amount of Issue</u>	<u>Date of Issue</u>
David Arthur Strohle, M.D., P.C.	330,000	November 22, 1985
Dee Cramer, Inc.	4,580,000	April 2001
Eastman Enterprises Office Building	400,000	August 29, 1985
Elias Bros. - Davison	700,000	November 1979
Excel Automation	900,000	November 1980
Expanded Plastics, Inc. - Phase I	275,000	March 1, 1984
Fenton Cablevision	650,000	February 12, 1980
Fenton Production Machining, Inc.	535,000	December 17, 1979
Fenton Roller Rink	500,000	August 3, 1981
Fenton Square	1,100,000	July 10, 1979
First Federal Savings - Davison	500,000	November 1979
First Inertia Switch	3,800,000	June 1989
Flint Knights Inn	1,930,000	December 1981
Flint Racquetball Associates	1,360,000	October 1, 1978
Freeman Ice Cream Company	600,000	June 1, 1979
Grand Blanc Assoc. North Park	550,000	November 26, 1985
Grand Blanc Convalescent Center, Inc.	3,550,000	November 4, 1985
Hamilton Medical Office	250,000	September 1985
Hydreclaim	325,000	September 1, 1981
Joon H. Park, M.D., P.C., Medical Bldg.	540,000	December 18, 1985
Kal-Med Enterprises, Inc.	825,000	December 16, 1985
Karen's Carpet	720,000	December 26, 1986
KARSS Office Building	350,000	January 1, 1985
King Group, Inc.	800,000	February 1, 1986
Knickerbocker Oldsmobile Dealership	990,000	May 2, 1980
LDG Associates Miller Road	650,000	November 18, 1981
Leeman Associates Office Building	450,000	February 18, 1981
Linden-Bristol Square, Ltd.	425,000	December 29, 1981
Linden Family Medicine	225,000	November 26, 1985
Linden Road Center	600,000	November 30, 1979
Matvest Company - XI Industries	5,500,000	November 1986
McLaren Extended Care	5,500,000	December 1, 1993
Michael Kaines Clinic	237,500	September 16, 1985
Michigan Machine & Engineering	5,000,000	July 1999
Midler-Rose, Inc.	125,700	December 16, 1981
Midwestern Realty	1,500,000	August 6, 1986
Miller Professional Building	450,000	November 16, 1984
Minto Brothers, Inc. Swimming Pool	300,000	April 11, 1980
National Amusements, Inc. Indoor Cinema Complex	2,800,000	January 30, 1980
Neuffer Nuclear Medical Facility	550,000	October 1, 1981
Oak Brook Square	7,000,000	December 1984

Economic Development Corporation of Genesee County

Notes to Financial Statements

December 31, 2007

Note 3 - Detail Notes on All Funds (Continued)

C. Revenue Bonds (Continued)

<u>Project Name</u>	<u>Amount of Issue</u>	<u>Date of Issue</u>
Oak Creek Associates Office Park Phase II	900,000	November 30, 1984
Oak Creek Associates Office Park Phase IV (A)	355,000	October 18, 1985
Oak Creek Associates Office Park Phase IV (B)	877,000	November 21, 1985
Oak Creek Office Park	750,000	February 26, 1982
Office Center West	420,000	February 1, 1980
Prime Coating, Inc.	1,700,000	October 16, 1985
Rawcar LLC (Contour Fabricators)	3,000,000	April 2001
Reigle Press	1,700,000	August 5, 2003
Riverbend Nursing Home, Inc.	1,200,000	November 5, 1985
Robert John Associates Office Building	292,500	November 21, 1979
RRT, LLC (Bristol Steel)	2,200,000	May 1, 2001
Rue Properties, LLC (Servitech)	7,000,000	September 1, 1999
Sports Illustrated	1,350,000	August 1979
StanMarie, Inc.	500,000	December 17, 1985
Suszek's Properties	375,000	May 28, 1980
Thrifty Mundy, Inc.	8,000,000	December 22, 1980
Uracast Products, Inc.	330,000	November 20, 1979
Verlee Medical Building	615,000	December 5, 1983
Wendy's Vienna Township & Mt. Morris Township Restaurant	614,000	June 29, 1979
Wright Office Building	350,000	December 1, 1983
	<u>\$127,520,563</u>	

D. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2007, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	RLF City/County	\$ 7,410
General	RLF - State	<u>1,808</u>
		<u>\$ 9,218</u>

These balances result from the time lag between the dates that administrative services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Economic Development Corporation of Genesee County

Notes to Financial Statements December 31, 2007

Note 4 - Risk Management

The Corporation is exposed to various risks of loss related to torts and errors and omission. The Corporation has purchased commercial insurance for these claims in the coverage limits described below.

General liability	\$1,000,000 per claim and in aggregate
Directors and officers liability	\$1,000,000 per claim and in aggregate

Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The premiums are paid by the operating fund and are recorded as expenditures as incurred.

Note 5 - Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the state and federal government. The EDC did not receive any grant funding in 2007, but grants expended prior to the current year are still subject to grantor compliance monitoring. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

Required Supplemental Information

Economic Development Corporation of Genesee County

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended December 31, 2007

	Original and Final Budget	Actual	Variance with Final Budget
Revenue			
Charges for service	\$ 33,400	\$ 16,014	\$ (17,386)
Interest - Investments	1,546	5,880	4,334
Loan repayments - Principal	-	6,718	6,718
County contribution	25,000	-	(25,000)
Miscellaneous income	-	4,442	4,442
Total revenue	59,946	33,054	(26,892)
Expenditures			
Current:			
Economic Development Operations:			
Per diem fees - Board	3,780	2,240	1,540
Office supplies and expense	-	185	(185)
Postage and recording fees	-	43	(43)
Management fee - Base	22,000	22,792	(792)
Legal fees	3,500	14,234	(10,734)
Audit fees	7,500	5,980	1,520
Travel	-	9	(9)
Meeting expense	1,200	923	277
Insurance	2,200	2,161	39
Miscellaneous	-	103	(103)
Rent	4,200	4,200	-
Total expenditures	44,380	52,870	(8,490)
Net Change in Fund Balances	15,566	(19,816)	(35,382)
Fund Balances - Beginning of year	108,616	108,616	-
Fund Balances - End of year	\$ 124,182	\$ 88,800	\$ (35,382)

Economic Development Corporation of Genesee County

Required Supplemental Information Budgetary Comparison Schedule - Special Revenue Fund Year Ended December 31, 2007

RLF - City/County			
	Original and Final Budget	Actual	Variance with Final Budget
Revenue			
Loan repayments - Principal	\$ 13,000	\$ 71,691	\$ 58,691
Interest - Loans	1,800	5,544	3,744
Interest - Investment RLF	-	12,401	12,401
Loan closing fee	1,500	-	(1,500)
Total revenue	16,300	89,636	73,336
Expenditures			
Current:			
Economic development:			
Payment service charge	425	424	1
Loan disbursements	50,000	-	50,000
Administrative fees	2,875	7,571	(4,696)
Total expenditures	53,300	7,995	45,305
Net Change in Fund Balances	(37,000)	81,641	118,641
Fund Balance - Beginning of year	401,938	401,938	-
Fund Balance - End of year	\$ 364,938	\$ 483,579	\$ 118,641

Economic Development Corporation of Genesee County

Required Supplemental Information Budgetary Comparison Schedule - Special Revenue Fund Year Ended December 31, 2007

RLF - State			
	Original and Final Budget	Actual	Variance with Final Budget
Revenues			
Loan repayments - Principal	\$ 80,000	\$ 26,413	\$ (53,587)
Interest - Loans	1,350	4,512	3,162
Interest - Investment RLF	28,000	15,595	(12,405)
Loan closing fee	6,300	-	(6,300)
Total revenue	115,650	46,520	(69,130)
Expenditures			
Current:			
Economic development:			
Payment service charge	665	377	288
Loan disbursements	210,000	87,814	122,186
Administrative fees	17,493	8,443	9,050
Total expenditures	228,158	96,634	131,524
Net Change in Fund Balances	(112,508)	(50,114)	62,394
Fund Balance - Beginning of year	349,766	349,766	-
Fund Balance - End of year	\$ 237,258	\$ 299,652	\$ 62,394

Economic Development Corporation of Genesee County

**Report to the Board of Trustees
December 31, 2007**



Plante & Moran, PLLC

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To the Board of Trustees
Economic Development Corporation of Genesee County

We have recently completed our audit of the basic financial statements of Economic Development Corporation of Genesee County ("EDC") for the year ended December 31, 2007. In addition to our audit report, we are providing the following letter of increased audit communications, required audit communication, summary of unrecorded possible adjustments, recommendations, and informational comments which impact the EDC:

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Other Recommendations	
Establishment of Loan Review Committee	7

We are grateful for the opportunity to be of service to the Economic Development Corporation of Genesee County. Should you have any questions regarding the comments in this report, please do not hesitate to call.

Plante & Moran, PLLC

August 27, 2008

Report on Internal Control

August 27, 2008

To the Board of Trustees
Economic Development Corporation of Genesee County

Dear Board Members:

Beginning with last year's audit, national auditing standards call for auditors to communicate matters to the governing body that may be useful in its oversight of the Economic Development Corporation (EDC) of Genesee County's financial management. Specifically, they require us to report internal control issues to the governing body that may be relatively minor, in order to allow it to evaluate their significance, and make any changes it may deem appropriate. In general, these are items that would have been discussed orally with management in the past. The purpose of these new standards are to allow the governing body an opportunity to discuss issues when they are relatively minor, rather than waiting until they become more serious problems. We hope this **Report on Internal Control** will be helpful to you, and we look forward to being able to discuss any questions you may have concerning these issues.

In planning and performing our audit of the financial statements of the EDC as of and for the year ended December 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the EDC's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the EDC's internal control. Accordingly, we do not express an opinion on the effectiveness of the EDC's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and/or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally

To the Board of Trustees
Economic Development Corporation of Genesee County

accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

Lack of Segregation of Duties

The contractual accountant (associated with the EDC until October, 2007) was responsible for all the accounting for the Corporation and although she was not a signer on the bank account, she did have ability to cut checks. Under the procedures that existed until October, 2007, no one (other than the contractual accountant) reviewed the checks that cleared the bank. While the bank statements are received directly by the EDC business manager, he does not perform a detailed review of the statement activity. The Board receives summary financial information on a periodic basis, but is not provided a detailed listing of the checks that are written.

Duties are properly segregated when responsibilities are arranged so that the work of one staff member is reviewed by another and no one individual has control over both the safekeeping of a asset and the financial records for the same asset. Given the internal controls, the contractual accountant, if she were so inclined, could initiate an unauthorized check with a forged signature. If that were to happen, it is not likely that such a check would be discovered since detailed bank records and cancelled checks are not reviewed by any other staff or board member.

We wish to make it absolutely clear that we are not suggesting that the contractual accountant was acting inappropriately or making errors of any nature. During the course of our audit, we found the contractual accountant's records to be both fairly complete and accurate. What we are saying is that due to the lack of segregation of duties, there is an inherent limitation in your system of internal accounting control, and we are required to disclose this to you. It should be noted that after October, 2007 the condition still exists since the EDC Business Manager is responsible for the check writing process as well as the accounting.

Bank Reconciliations

During the audit, it was brought to our attention that bank reconciliations had not been prepared for the bank accounts since the outside accountant left in October. Once we inquired about them, the bank reconciliations were prepared at our request. Upon our review, however, the bank reconciliation book balance for the State account did not agree to the general ledger balance at year-end due to an outstanding check and August interest income that had not been posted to the general ledger. We recommend that bank reconciliations be done on a monthly basis and that the individual preparing the bank reconciliation properly use the book balance per the general ledger and reconcile any differences.

To the Board of Trustees
Economic Development Corporation of Genesee County

Accrual Adjustments

During the audit we generally provide significant assistance in identifying and posting accrual adjustments to the accounting records. Accruals represent any adjustments other than cash that impact the accounting records (accounts payable, deferred revenue, receivables). We are pleased to assist in this process -our auditors have expertise in accrual adjustments, and can generally assist in a very cost-efficient manner. However, we bring this to your attention since it meets the above definition of a matter to be communicated.

Year End Closing Procedures

The EDC staff was unable to close the accounting records and prepare for the audit in a time schedule sufficient to have the audit be completed and submitted to the State by the required June 30 deadline. We recommend that the accounting records for the fiscal year be closed on a timely basis and that the necessary steps to prepare for the annual audit be taken in order to meet the State submission deadline.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the deficiencies noted above constitute material weaknesses.

Additional Observations

We noted some additional items that should be considered in order to enhance internal controls;

- We observed that the access to the computer which holds the financial data for the Commission was not protected by password. We suggest that the computer be password protected to insure access is limited to those necessary to have access.

This communication is intended solely for the information and use of management, the board, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Plante & Moran, PLLC



Tadd Harburn, CPA

August 27, 2008

To the Board of Trustees
Economic Development Corporation of Genesee County

We have audited the financial statements of Economic Development Corporation of Genesee County for the year ended December 31, 2007, and have issued our report thereon dated August 27, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated March 15, 2008, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. We are responsible for planning and performing the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of Economic Development Corporation of Genesee County. Our consideration of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters and our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on May 5, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Economic Development Corporation are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007.

To the Board of Trustees
Economic Development Corporation of Genesee County

We noted no transactions entered into by the organization during the year for which there is a lack of authoritative guidance or consensus.

There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was the collectability of loans receivable.

Management's estimate of the collectability of loans receivable is based on history of payments made and knowledge of any bankruptcy proceedings. We evaluated the key factors and assumptions used to develop the loans receivable in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was the estimate of the uncollectible loans.

Difficulties Encountered in Performing the Audit

We encountered certain delays in the scheduling of the audit fieldwork due to EDC staff not closing out the EDC record on a timely basis and not being able to provide complete and accurate information for the items necessary for the completion of the audit. As a result, the audit and related communication could not be submitted by the June 30 deadline to the State Treasurer.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

To the Board of Trustees
Economic Development Corporation of Genesee County

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 27, 2008.

Management Consultations with Other Independent Accountants

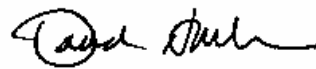
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the organization’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

In the normal course of our professional association with the organization we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the organization, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the organization’s auditors.

This information is intended solely for the use of the Board and management of Economic Development Corporation of Genesee County and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Plante & Moran, PLLC

A handwritten signature in black ink, appearing to read "Tadd Harburn", written in a cursive style.

Tadd Harburn, CPA

Other Recommendations

Economic Development Corporation of Genesee County

Other Recommendations

Establishment of a Loan Review Committee:

Given the size of the loan portfolio of the EDC, we believe that each monthly meeting should include an update to the board on the status of the loan portfolio. At this time, loans with collection concerns could be discussed so that the entire Board is aware of the status of each loan. Such a discussion would also allow the Board to formally discuss and approve any efforts to pursue collection or other legal actions taken to maintain its security position in the assets of the borrower.

In addition, prudent accounting policies require that once collection of a loan is considered remote that the carrying value of the loan be reduced by an allowance for uncollectibility to reflect its realizable value. The periodic review of the individual loans in the portfolio would allow these reserves to be established and recorded as needed on the financial records.

In order to facilitate the above, we would recommend that a loan review committee be established to review the status of each loan. This committee could then report to the full Board on the current loan portfolio status and recommend legal action for Board approval.

Security of Accounting Records

While performing the audit, it was brought to our attention that the computer that has the software installed for financial reporting is not password protected, nor is the software application. The computer was booted in the presence of the auditor and once running, the auditor was able to access Quickbooks without being prompted to enter a password. We recommend that security should be implemented to protect the accounting records.